



October 7, 2013

**MEMORANDUM**

**TO:** Government Efficiency Committee

**FR:** Michelle Minnehan, Chief Operating Officer, Department of Administrative Services – Human Resources Enterprise

**RE:** HR Consolidation Update

**Background** The Department of Administrative Services – Human Resources Enterprise (DAS-HRE) is committed to assisting Governor Branstad in meeting the goal of reducing state government expenditures by 15%. DAS-HRE has identified human resource (HR) consolidation of agency HR resources into DAS-HRE as an opportunity to impact this goal, while also increasing overall efficiencies of state government.

Iowa Code section 8A.402 provides DAS-HRE with the broad authority and responsibility for state human resource management. DAS-HRE currently operates with approximately 50 full time equivalents (FTEs) performing core functions of HR along with providing generalist services for the executive branch. In addition to this staff, data gathered in 2011 revealed the equivalent of more than 100 positions responsible for HR technical and professional work within the agencies.

As you are aware, as part of the DAS legislative package in 2013, language was proposed to fully evaluate and consolidate all human resources work and staff across the executive branch, utilizing a phased approach. The plan presented was to commence in 2013 and continue through 2015; the plan also included the implementation of a new Human Resource Management System (HRMS). The intent of the proposed language was to increase overall efficiencies, consistency, and compliance associated with human resource administration and service delivery, while also decreasing the amount of staff conducting human resources tasks across the executive branch. Based on the review conducted thus far, it is anticipated that through consolidation in conjunction with the implementation of an HRMS, the State of Iowa would experience a reduction of a minimum of 53 FTEs doing HR-related work, resulting in cost savings of approximately \$3.4 million<sup>1</sup>.

Through the legislative process in 2013, code language was adopted into Iowa Code chapter 8A that allows consolidation of HR resources into DAS-HRE to be a voluntary initiative for agencies.

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<sup>1</sup> The estimated cost savings is related to reduction of HR staff. It is important to note that some staff within agencies may be reallocated to support the primary mission of the respective agency, which would impact the overall cost savings.

**Current State** The scope of the consolidation plan developed in 2012 included the consolidation of both technical work and related staff (Human Resources Associates, or HRAs) and professional work and related staff. As of September 30, 2013, DAS-HRE has partnered with 11 agencies on a voluntary basis to consolidate the technical services into the centralized function. DAS-HRE is now providing technical services to these agencies, which employ approximately 3,700 employees. Previously, there were 10 FTEs associated with providing technical services to these 11 agencies; DAS-HRE currently employs six staff members to provide these services. This reduction in staff has increased the overall efficiency of the staff member to employee ratio of this service from 1:369 to 1:615 and resulted in cost savings of approximately \$300,000.

Please see **Appendix A** for additional detail about these agencies. DAS-HRE continues to seek opportunities for further dialogue with agencies regarding consolidation.

**Potential Future Efficiencies** DAS-HRE is currently engaged in a number of initiatives focused on continued process improvement and efficiency gains. Having said that, we believe that the consolidation of HR work and staff is the greatest opportunity for the enterprise to achieve greater efficiencies and cost savings, which would also result in increased consistency and compliance. For example, in the 15 agencies with less than 200 employees, our data indicates that the HRA to staff ratio is approximately 1:153, which is well below the desired, most efficient ratios for HR technical services. These 15 agencies are currently serviced by approximately 6.5 FTEs; if consolidated, the HR technical work would be done by 2 FTEs. This would bring the overall DAS ratio down from 1:615 to 1:585 and could save an estimated additional \$350,000 in HRA service costs annually.

## APPENDIX A: Consolidated HR Technical Services

| Agency  | Headcount    | Previous HR<br>Technical Staff<br>to Employee<br>Ratio | Current HR<br>Technical Staff<br>to Employee<br>Ratio |
|---|--------------|--|---|
| Administrative Services   | 359          | 1:395  | 1:615   |
| Governor's Office   | 25           |  |   |
| Iowa Public Information Board   | 3            |  |   |
| Office of Drug Control Policy (ODCP)  | 8            |  |   |
| Aging   | 32           | 1:32   |   |
| Blind   | 87           | 1:87   |   |
| Commerce – Alcoholic Beverage Division  | 76           | 1:76   |   |
| Cultural Affairs  | 61           | 1:61   |   |
| Human Services Administration (401), Community Services (402), Assistance Payments (413), | 2,654        | 1:885  |   |
| Iowa Communications Network   | 83           | 1:83   |   |
| Revenue   | 303          | 1:303  |   |
| <b>Total:</b>   | <b>3,691</b> | <b>1:369*</b>  | <b>1:615**</b>  |

*\*Previous ratio estimated at 10 Human Resource Associates*

*\*\*Current ratio employs 6 Human Resource Associates*